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December 3, 2004

VIA ELECTRONIC SUBMISSION

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW – Lobby Level
Washington, D.C. 20554

Re: Notice of Ex Parte Presentation: In the Matter of *AT&T Corp. Petition for Rulemaking To Reform Regulation Of Incumbent Local Exchange Carrier Rates For Interstate Special Access Services*, RM Docket No. 10593, and *Unbundled Access to Network Elements and Unbundling Obligations of Incumbent Local Exchange Carriers*, WC Docket No. 04-313 and CC Docket No. 01-338.

Dear Ms. Dortch:

On behalf of SBC Communications, Inc. (SBC), Thomas Hughes, Brian Benison, and I, the undersigned, met yesterday with Christopher Libertelli, Senior Legal Advisor to Chairman Powell. The attached document was used as a basis for discussion.

Pursuant to 1.1206 of the Commission's Rules, this letter is being filed electronically with the Commission.

Sincerely,

/s/ Christopher M. Heimann

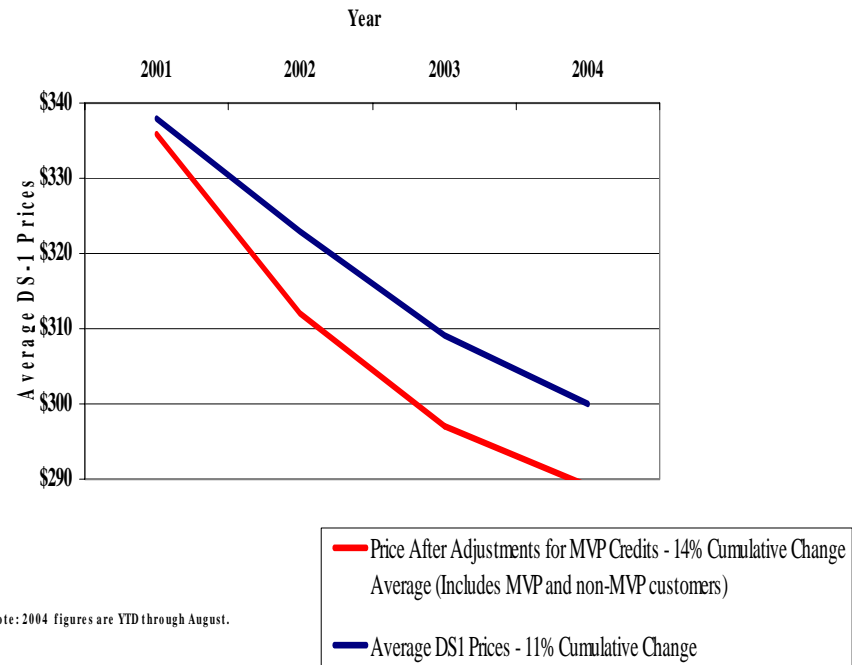
cc (via electronic mail):
Christopher Libertelli



Special Access Competition and Pricing

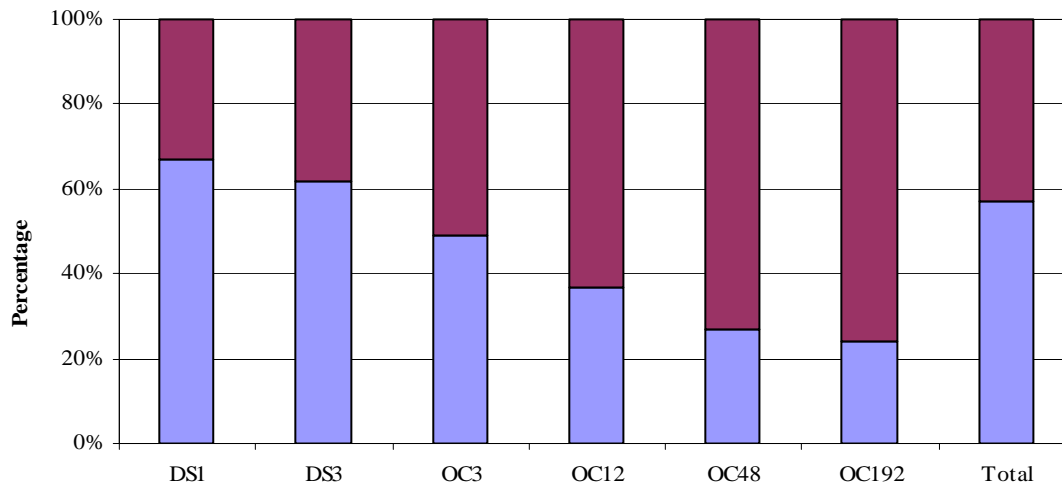
Special Access Rates Have Decreased Significantly in Response to Competition

- SBC special access rates continue to decrease in response to competition
 - DS1 prices have fallen 14% over the past few years.
 - This excludes most price flex contracts, which provide additional discounts
 - Excluding MVP, DS1 prices have dropped 11% since 2001.



SBC High Capacity Market Share

Competitors have won over 40% of the total wholesale market for special access services in SBC's territory. Competitors currently supply over a third of the wholesale market for DS-1 and DS-3 services



*Reference: December, 2003 Yankee Group Study

Products and Total

■ SBC Market Share ■ All Others' Market Share

Competition is Flourishing in the Special Access Marketplace

- All but ten of the top 150 MSAs are now served by at least one competitive fiber network, and the top 50 MSAs have an average of *19* competitive networks.
- CLEC deployments include:
 - AT&T – 21,000 local route miles in 70 MSAs
 - TWT – 12,247 local route miles in 41 MSAs
 - XO – 23,800 total route miles in 34 MSAs
 - MCI – 9,000 local route miles in 63 MSAs
 - Cox – 6,600 total route miles in 23 MSAs
- Carriers are continuing to build networks:
 - “We have about 7,500 buildings on-net now and we continue to build private rings for our largest customers, we built 25 private rings in Q3.” – **Hannigan, AT&T President, Oct. 21, 2004 Earnings Conference Call. Source: Thomson StreetEvents transcript. (p. 8)**

Competitors are Flourishing Using Special Access

- SBC has only about 5% of the large business market - a market that is dominated by the large IXC's
- Carriers use special access, not UNEs, to provide service to customers in the large business market
- CLEC claims of anti-competitive pricing are belied by the fact that over 90% of SBC's special access is sold to our wholesale customers, not retail

ARMIS Based Service-Specific Rate of Return Calculations are Meaningless

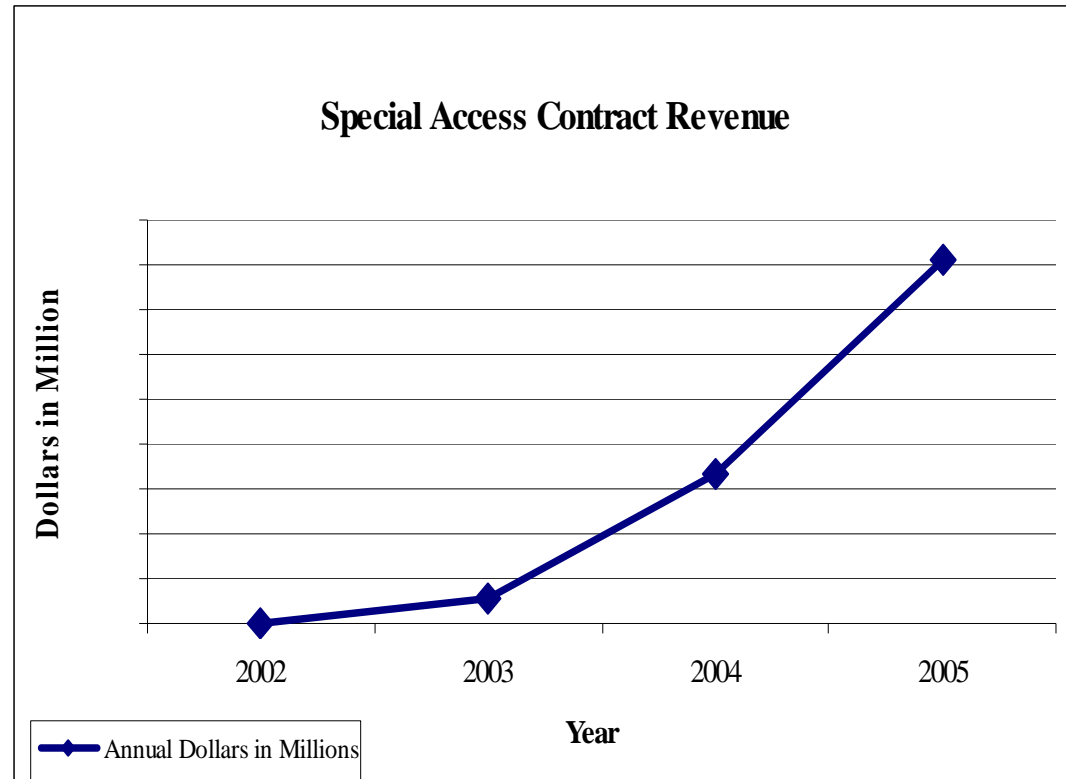
- Because the FCC froze the separations factors at a time when special access was growing rapidly ARMIS grossly understates actual special access investment
- Indeed, ARMIS data indicates a negative 4.9% return for SBC's interstate switched access
- The Commission recognized that regulatory cost allocations are imprecise, and therefore has required price-cap LECs to report rate-of return information only on total interstate earnings.

SBC Offers Carriers Multiple Discount Options

- CLEC claims of high special access rates generally cite month to month rack rates
 - Substantial discounts are available for term commitments of various lengths
 - Term discounts are available without any volume commitment

Price-Flex Contract and Discounts

- SBC's Price flex contracts offer various discounts including an 11% discount for a 1 year term, a 41% discount for a 3 year term and a 45% discount for a 5 year term
- Additional discounts programs are also available on all special access in the form of an optional Managed Value Plan with additional discounts ranging from 9-14%.
- Customers like the competitive offers SBC is able to create with pricing flex. Wholesale customers have agreed to purchase special access service under 26 different price flex offers and SBC is actively negotiating 60 new price flex arrangements.



*Note the 2004 data is year to date through October 2004 and the 2005 numbers are projected.

Contract Terms are Pro-Competitive

- Claims that CLECs must give 95% of high capacity business to SBC are flatly incorrect.
 - Carriers are not required to use SBC for growth, much less virtually all of their special access, to qualify for MVP
 - Carriers under special access contracts and MVP continue to move circuits to self provisioned and/or competing facilities